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New Issue: Alba 5 SPV S.r.l.

€680 Million Asset-Backed Floating Rate Notes

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Ratings Detail

Class	Rating*	Amount (€)	Available credit enhancement § (%)	Interest (%)	Legal final maturity
A	A (sf)	450,000,000	33.1	Three-month EURIBOR plus 1.5%	April 2040
B	NR	230,000,000	N/A	Variable	April 2040

*Standard & Poor's ratings address timely payment of interest and ultimate principal. §Does not include the debt service reserve. EURIBOR--Euro interbank offered rate. NR--Not rated. N/A--Not applicable.

Transaction Participants	
Originator	Alba Leasing SpA
Issuer	Alba 5 SPV S.r.l.
Sellers	Alba 1 SPV S.r.l., and Alba 2 SPV S.r.l.
Backup servicer	Selmabipiemme Leasing SpA
Servicer/cash manager	Alba Leasing SpA
Bank account provider	The Bank of New York Mellon (Luxembourg) S.A., Milan branch
Custodian	The Bank of New York Mellon S.A./N.V., London branch
Paying agent	The Bank of New York Mellon (Luxembourg) S.A., Milan branch
Corporate servicer/noteholder's representative/computation agent	Securitisation Services SpA
Sole quotaholder	SVM Securitisation Vehicles Management S.r.l.
Initial senior notes subscriber/initial junior notes subscriber	Alba Leasing SpA

Supporting Ratings

Institution/role	Rating
The Bank of New York Mellon (Luxembourg) S.A., Milan branch, as bank account provider	AA-/Negative/A-1+
The Bank of New York Mellon, London branch, as custodian	AA-/Negative/A-1+

Transaction Key Features*	
Closing date	May 16, 2013
Collateral	A portfolio of lease receivables originated by Alba Leasing
Country of origination	Italy
Total outstanding principal balance (Mil. €)	672.6
Geographic concentration (%)	Northern Italy 68.6, central Italy 18.0, and southern Italy 13.4
Average loan balance (by obligor) (€)	77,752.5
Largest obligor (%)	0.7
Major industry concentration by economic sector (%)	Building and Development (12.5); Financial intermediaries (9.9); Non-ferrous metals/ Minerals (9.6); Surface transport (6.0)
Weighted-average seasoning (months)	23.9
Weighted-average remaining term (months)	79.9
Portfolio paying fixed rate interest (%)	2.75

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Transaction Key Features* (cont.)	
Portfolio paying floating rate interest (%)	97.25
Weighted-average nominal interest rate for fixed rate contracts (%)	4.96
Weighted-average margin for floating-rate contracts (%)	2.94
Cash reserve	Funded through part of the proceeds of the class B notes for an amount equal to 1.65% of the class A notes.
Arrears by more than 30 days (%)	0.55

*Portfolio as of April 1, 2013.

Transaction Summary

Standard & Poor's Ratings Services has assigned its 'A (sf)' credit rating to Alba 5 SPV S.r.l.'s class A asset-backed floating-rate notes. At closing, Alba 5 SPV also issued €230 million unrated class B notes.

The transaction securitizes a portfolio of Italian lease receivables, distributed into four pools depending on the underlying assets: Vehicles (pool one), equipment (pool two), real estate (pool three), and shipping/aircraft/railways (pool four). The transaction does not have a warehouse or a revolving period.

The originator is Alba Leasing SpA, the leasing company resulting from the spin-off of Banca Italease SpA group. It commenced operations on Jan. 1, 2010 with a portfolio of €4.9 billion of performing leases originated by Banca Italease.

Notable Features

Alba 5 SPV S.r.l. is Alba Leasing's fifth securitization, of which it is the third that we have rated. Compared with its predecessor, Alba 3 SPV S.r.l, the transaction's main features are as follows:

- The transaction does not have a warehouse or a revolving period.
- The transaction also features a pool of receivables arising from lease contracts to finance shipping/aircraft/railways.
- Compared with Alba 3, 0.55% of the initial portfolio is currently delinquent, 0.36% up to 60 days, and 0.19% up to 90 days.
- Like Alba 3, the transaction has one payment waterfall for principal and interest payments. If the gross default ratio exceeds some trigger levels, the special-purpose entity (SPE) uses any residual excess spread to pay the senior classes of notes until they are fully redeemed.
- Similar to Alba 3, the issuer has not hedged the interest rate risk arising from the mismatch between the interest rate paid under the loans and the interest rate paid under the notes.
- The issuer used part of the proceeds of the class B notes to fund a debt service reserve at closing, being equal to 1.65% of the class A notes. The issuer can use the reserve to provide liquidity and credit enhancement to the senior classes of notes. In contrast to Alba 3, the debt service reserve amortizes to 3.3% of the then-outstanding class A notes, with a floor of €3.38 million, once the class A notes have amortized by half of their initial amount.

Rationale

Our rating reflects our assessment of the following factors:

Operational risk

Alba Leasing SpA, the originator, was established on Jan. 1, 2010. Since it is a spin-off of the Banca Italease group, it benefits from the group's significant expertise and knowledge of the Italian leasing market. Our rating on the class A notes reflects, among other factors, our assessment of the company's origination policies, as well as our evaluation of its ability to fulfill its role as servicer under the transaction documents. The transaction has a back-up servicer, which mitigates the risk of a servicer discontinuity. Our cash flow model incorporates a stressed servicing fee that we deem to be sufficient to provide an economic incentive for a new servicer to step in. Mechanisms are in place to ensure that, if a servicer discontinues its role, borrower payments can be diverted either into the transaction's collection account or into an account opened in the successor servicer's name, if both the successor servicer and the deposit bank are suitably rated under the transaction documents.

Credit risk

The collateral comprises a pool of lease receivables concentrated in Northern Italy. We have analyzed credit risk by applying our criteria for rating Italian leasing transactions (see "Rating Leasing Securitizations in Italy," published on May 3, 2006).

Our assumptions at a 'A' rating level were as follows:

- Projected weighted-average gross default assumption of 31.2%, with a base case assumption of 11.6%; and
- Weighted-average recovery rate of 20.8%, with a base case assumption of 29.8%.

We formed our view using the originator's historic data, information for Banca Italease's previous transactions, and a market comparison.

Cash flow risk

Our rating on the class A notes reflects our assessment of the transaction's credit and cash flow characteristics. We tested the transaction cash flows using a model that simulated our rating stress scenarios. In our modeling approach, we ran several different scenarios at each rating level, combining different interest rate patterns with different prepayment rates. Our analysis indicates that the credit enhancement available to the rated notes is sufficient to withstand the credit and cash flow stresses that we apply at a 'A' rating level. We also ran two alternative stress scenarios, under which the class A notes maintained their 'A (sf)' rating, in line with our rating stability criteria (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

Counterparty risk

Our rating on the class A notes also considers that the transaction documents' replacement mechanisms adequately mitigate counterparty risk. We analyzed counterparty risk by applying our 2012 counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on Nov. 29, 2012, and "Credit FAQ: How Standard & Poor's Applies Its Criteria to Bank Branches In The EU and Eurozone," published on July 27, 2012).

Legal risk

This is the SPE's first issuance. The transaction documents permit further securitizations subject to rating agency confirmation. We consider the issuer to be a bankruptcy-remote entity, in line with our European legal criteria (see "European Legal Criteria For Structured Finance Transactions," published on Aug. 28, 2008).

Nonsovereign ratings criteria

The application of our eurozone (European Economic and Monetary Union) nonsovereign ratings criteria caps the maximum potential ratings in this transaction at 'AA+ (sf)', that is, six notches above our unsolicited long-term 'BBB+' sovereign rating on Italy (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011).

Strengths, Concerns And Mitigating Factors

Strengths

- A sequential payment mechanism between the rated notes and the unrated notes results in increased credit enhancement for the rated notes as the pool amortizes.
- There is a debt service reserve fully funded at closing that provides both liquidity and credit support.
- The transaction retains excess spread until defaulted loans are covered.

Concerns and mitigating factors

- Alba is a relatively new originator and the historical data was not sufficient to derive credit assumptions. In order to determine our base case assumptions, we considered the originator's performance data for the loans purchased from Italease, the historical performance of previous Italease's transactions, and a market comparison.
- The borrowers' payments are first credited to the servicer's accounts before being transferred to the issuer's account. This means that collections can become commingled with the servicer's funds. In order to mitigate commingling risk, we have stressed as a commingling loss an amount equal to one month's collections.
- The title to the leased assets remains with the originator and has not been transferred to the issuer. Since the issuer would not be able to recover any money from the sale of the leased assets if the originator became insolvent, in our cash flow stresses, we have only given credit to the recoveries for defaulted leases from lessees.
- The servicer can renegotiate the maturity and the interest rate on the receivables. In addition, the originator can repurchase single loans during the transaction's life. We factored these variable changes into our cash flow model. We also tested the transaction, assuming a spike in prepayments.
- The transaction is exposed to interest rate risk because there is no hedging agreement in place to cover the mismatch between the interest rate paid under the loans and the rate paid under the notes. For floating-rate loans, we have stressed the basis risk by applying a haircut of 36 basis points (bps) to the interest paid under the loans during the first 18 months of the recession period, and 16 bps for the rest of the transaction's life. For the fixed-rate loans (2.75% of the total portfolio), we tested the cash flow model assuming the interest rates rise higher than the interest rate paid by the loans.
- Of the portfolio, 0.55% is currently delinquent, of which 0.36% is up to 60 days and 0.19% up to 90 days. The portfolio also features a pool of receivables, representing 2.79% of the total portfolio, arising from shipping, aircraft, and railway lease contracts. We have factored both of these features in our credit risk analysis, increasing our stressed default rate assumption at a 'A' rating level.

Transaction Structure

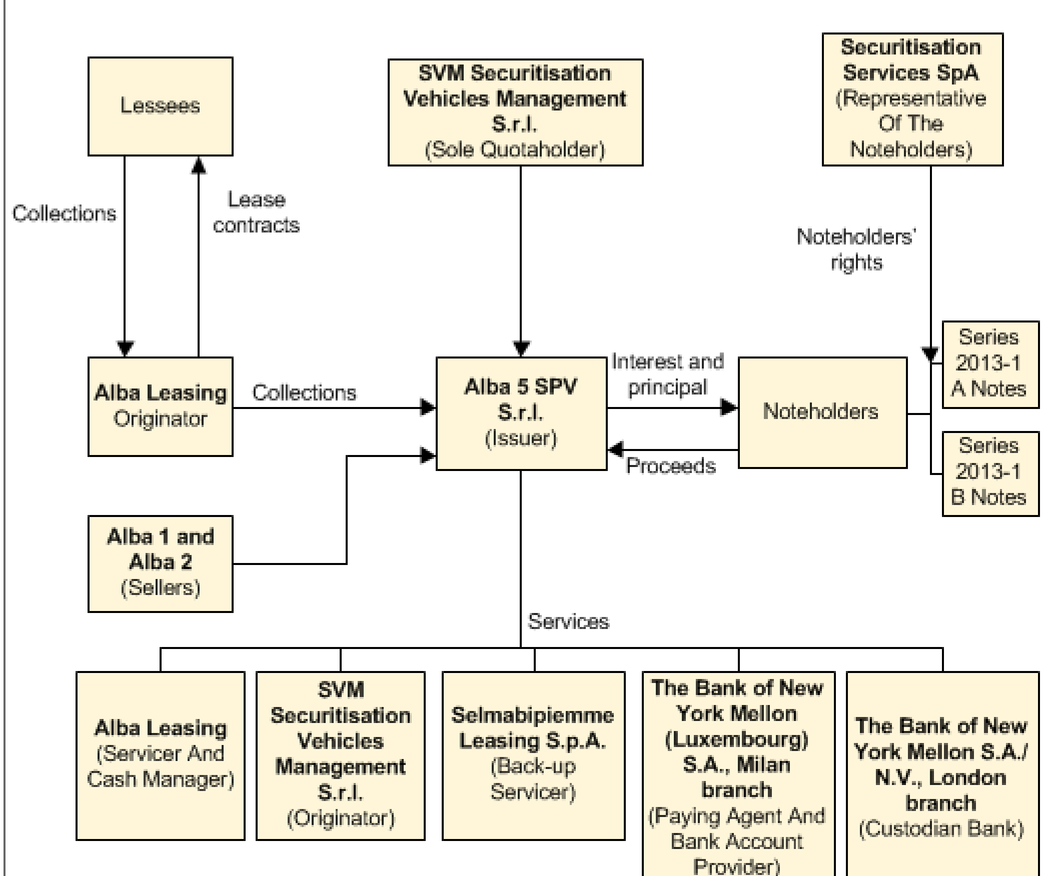
Alba 5 SPV is a limited-liability company incorporated in Italy under article three of Italian law No. 130 as of April 30, 1999. Since the date of its incorporation, the issuer has not engaged in any activity. The transaction documents permit further securitizations subject to rating agency confirmation from Standard & Poor's.

The issuer's authorized and issued equity capital is €10,000, fully paid up. The issuer's sole quotaholder is SVM Securitisation Vehicles Management.

At closing, the issuer issued two classes of notes, of which we only rate the class A notes. Alba 5 SPV used the proceeds from the issue of the class A and B notes to purchase the portfolio, fund the debt service reserve, and pay the retention amount into the expense account.

Chart 1

Alba 5 SPV S.r.l.
Transaction Structure



Originator/servicer details

Alba Leasing is owned by Banca Popolare Emilia Romagna S.C.(36.43%), Banco Popolare Società Cooperativa S.C.R.L. (32.79%), Banca Popolare di Sondrio S.C.P.A (20.95%), and Banca Popolare di Milano S.C.R.L. (9.83%). Its main origination channel comprises of its shareholders' local branches located across Italy. Based on Association For Italian Leasing (Assilea) data, at the end of December 2012, Alba Leasing had a market share of 4.22%, ranking among Italy's top 10 leasing companies. It focuses on the equipment sector, where its market share is 7.46%.

Priority of payments

The class A and B notes pay interest in arrears on a designated date each quarter.

On each quarterly payment date, the issuer applies all available funds to make payments according to the following simplified waterfall:

- Taxes and expenses due by the issuer, remuneration, costs and expenses payable to the representative of the noteholders;
- Remuneration, costs, expenses, and indemnities to various transaction parties, including remuneration to the servicer;
- Interest on the class A notes;
- Until the full redemption of the class A notes, top up of the debt service reserve up to the required amount;
- Repayment of the class A notes' principal until redeemed in full if the gross cumulative default ratio exceeds the trigger (see table 1). If the gross cumulative default ratio is lower than the trigger, then the issuer repays the class A notes' principal up to an amount equal to the notes' redemption amount; and
- Other junior items.

The notes' redemption amount is equal to the notes outstanding minus the outstanding portfolio net of defaults and minus the debt service reserve amount.

The issuer available funds include:

- Collections and recoveries received during the quarter;
- Any amounts the issuer receives from the originator;
- The interest accrued on the issuer accounts;
- The net proceeds coming from eligible investments;
- Proceeds from the sale of receivables, following an optional redemption; and
- The debt service reserve amount.

Table 1

Gross Cumulative Default Trigger Amount

Quarterly payment date	Trigger (%)
First quarter	1.75
Second quarter	1.75
Third quarter	2.25
Fourth quarter	3.00
Fifth quarter	3.50
Sixth quarter	4.50
Seventh quarterly payment onwards	5.00

Debt service reserve

A debt service reserve was funded at closing through part of the proceeds of the issuance of the class B notes, for an amount equal to €7.4 million, that is 1.65% of the class A notes at closing.

Once the class A notes have amortized by half of their initial amount, the debt service reserve amortizes to 3.3% of the then-outstanding class A notes, with a floor of €3.38 million. The reserve is replenished until the rated notes are redeemed in full.

The reserve provides liquidity enhancement throughout the transaction's life of the transaction and credit enhancement only on the date on which the class A notes are redeemed in full.

Mandatory redemption of the notes

Each class of notes is subject to mandatory redemption on each payment date, in accordance with the priority of payments.

Optional redemption

The notes are subject to optional redemption in full on any quarterly payment date after the issue date, subject to the issuer having the necessary funds to discharge all of its liabilities regarding the rated notes and any amount to be paid in priority to them. With the junior noteholders' consent, the redemption of the junior notes may be partial, subject to the issuer having the necessary funds to discharge all of its liabilities in relation to the notes to be redeemed together with all the other amounts to be paid in priority under the waterfall.

Final redemption

All notes, unless previously fully redeemed, will be fully repaid at their principal outstanding on the payment date in September 2035.

Principal redemption for taxation

The issuer may redeem the class A notes and all (or part) of the junior notes if there is a change in tax, which would require the issuer to make a tax deduction from any payment in respect of the notes, if it has enough funds to discharge all its obligations on the notes and amounts to be paid in priority (or pari passu) with the notes.

Security

Under Italian law, the issuer's interests in the receivables are segregated from all other assets of the issuer and made available, both before and after a winding-up of the issuer, only to satisfy the issuer's obligations to the noteholders and certain other creditors involved in the securitization of the receivables.

Security for the notes is also created through an Italian deed of pledge and an English deed of charge. Under these deeds, the issuer pledges in favor of the noteholders all of the rights, claims, and amounts to which it is entitled under the transaction documents, one set of which is under Italian law, and the other under English law.

Interest rate risk

The transaction does not have an interest rate swap. There is a mismatch between the interest paid under the loans and the interest paid under the notes. This mismatch occurs because:

- The notes pay the three-month EURIBOR set two business days before the 20th day of July, October, January, and

April; and
- The loans pay a floating-rate indexed to one-month EURIBOR (46.57%), three-month EURIBOR (50.65%), and six–month EURIBOR (0.03%); and
- A small percentage of the loans in the pool pay a fixed rate of interest (2.75%).

In our analysis, we found that basis risk could arise for the floating portion of the portfolio if the index on which interest is earned on the assets is lower than the index on which interest is calculated for the notes. If so, this could leave a shortfall in the amount available to the issuer to fulfill its obligations for the noteholders.

To assess the basis risk, we calculated the difference between the rates by taking the highest indexes payable to the noteholders and the lowest of the indexes payable on the assets over a certain period, over approximately 12 years. For each index, we applied rating-specific percentiles to assess the historical differences observed and to derive the highest number in the distribution corresponding to that specific percentile.

In the first 18 months of the recession period, we assumed a reduction in the interest received on the assets equal to the value of the 65th percentile of the historical differences in the 'A' rating scenario. After the first 18 months of the recession period, the reduction applied corresponds to the value of the 30th percentile.

In addition, the transaction could suffer if the interest rate paid under the notes were to exceed the interest rate paid under the fixed-rate loans (2.75% in the portfolio). The average interest rate paid by the fixed-rate loans is about 4.96%. We took this into account in our cash flow model, running different interest rate curves well above the interest rate paid under the loans.

Cash collection arrangements and transaction accounts

Of the reference pool, about 93.2% of the loans pay monthly installments, 6.6% pay quarterly, and the rest semi-annually. Borrowers pay into the servicer account. Collections are then transferred into the collection account in the SPE's within one day of receipt.

The servicer is not rated. If it becomes insolvent, amounts held with it could be frozen or lost and would not be paid to the issuer. To account for this risk, we stressed one month's collection of interest and principal as a loss in our cash flow model.

The issuer has opened five other accounts with the bank account provider:

- The debt service reserve account: For the deposit of the reserve on the issue date, and on each payment date in accordance with the priority of payments.
- The payments account: Where amounts in the investment account are transferred to make payments under the priority of payments.
- The expenses account: The retention amount is credited into this account and replenished in accordance with the priority of payments.
- The quota capital account: For the deposit of the issuer's quota capital.

The issuer has also opened an investment account held by The Bank of New York Mellon S.A./N.V., London branch as the custodian, where collections are transferred daily. Amounts credited to the other accounts are transferred into this account on the business day following each payment date. Amounts held in the investment account are used to purchase eligible investments.

Under the transaction documents, the account bank and the custodian are required at all times to be an eligible institution rated 'BBB' or 'A-2'. In our view, appropriate downgrade language is in place in accordance with our 2012 counterparty criteria to achieve the maximum potential rating of 'A (sf)' on the class A notes (see "Counterparty Risk Framework Methodology And Assumptions," published Nov. 29, 2012).

Collateral Description

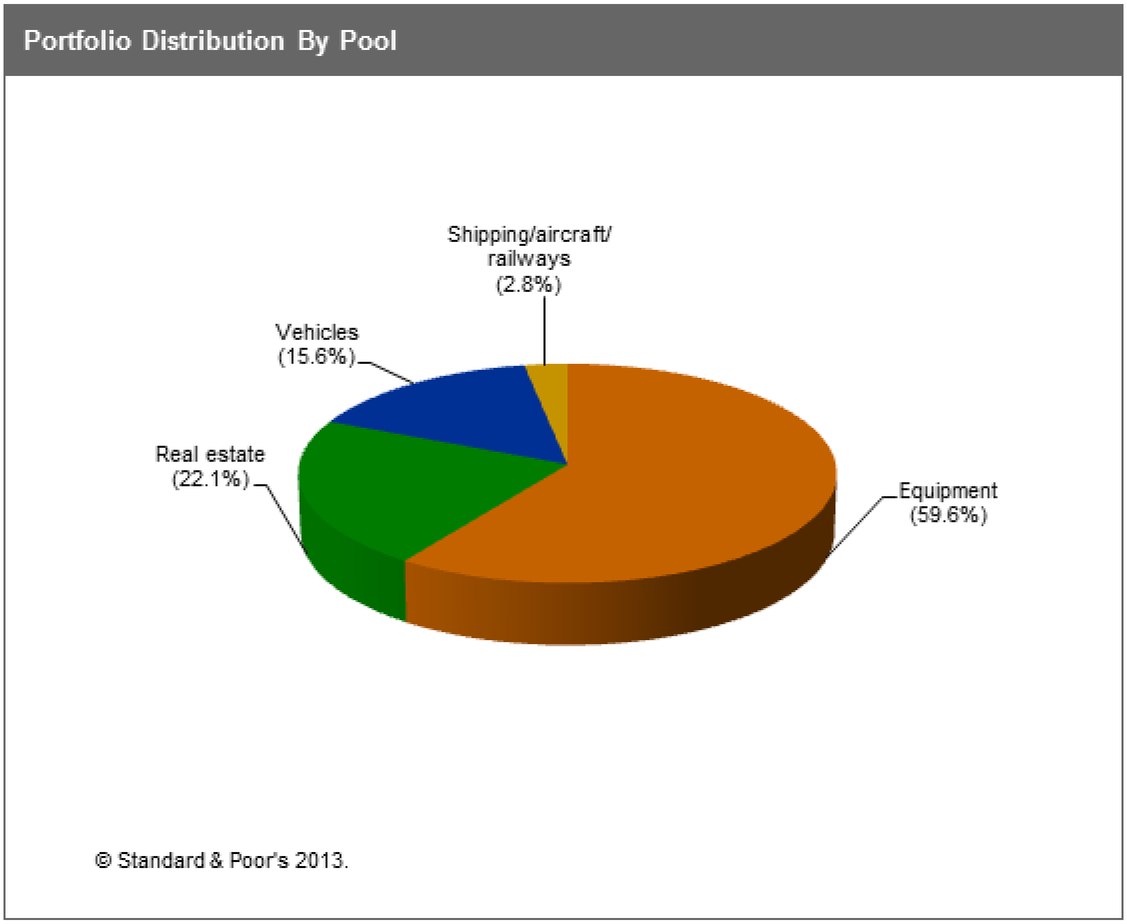
The collateral pool backing the notes comprises 13,535 loan contracts (see table 2). The largest single borrower concentration is 0.7%, and the top 10 borrowers comprise 5.6% of the pool.

Table 2

Portfolio Description	
Outstanding balance (€)	672,559,016.40
Number of obligors	8,650
Number of loans	13,535
Average loan balance (by obligor) (€)	77,752.5
Maximum outstanding balance (by obligor) (€)	4,710,530.5
Weighted-average seasoning (months)	23.9
Weighted-average residual term (months)	79.9
Weighted-average current LTV ratio (%)	61.30
Weighted-average spread (%)	2.94
Weighted-average fixed rate (%)	4.96
Leases paying a fixed rate (%)	2.75
Leases paying a floating rate (%)	97.25

LTV--Loan-to-value.

Chart 1



The geographical distribution shows a concentration in Northern Italy (see chart 3).

Chart 3

Alba 5 SPV S.r.l. Geographic Distribution By Region

The transaction documents set out the eligibility criteria for receivables in the pool. Simplified, these state that:

- Receivables sold have been originated by Alba Leasing.
- The leasing agreement is dated on or after Jan. 1, 2010.
- The receivables are denominated in euros.
- The installments are repaid via direct direct debit.
- The receivables pay a fixed- or floating-rate of interest.
- The contracts are governed by Italian law.
- The leases do not benefit from any form of subsidy or contribution from public administration entities.
- The lessees are domiciled in Italy.
- Lessees are not currently employees or shareholders of the originator or the group, and are not public sector entities.
- Debtors are not insolvent or under administration, have repaid all installments due so far, and do not have overdue installments of more than 90 days.
- At least one installment has been duly paid.

- Contracts include an asset insurance, for which the lessor is the beneficiary.
- Leased assets are: Auto vehicles or commercial vehicles registered in Italy, equipment, real estate, or shipping/aircrafts/railways assets located in Italy. All assets are finished and have been delivered to the lessee.
- Receivables arise out of leasing contracts where the obligor's obligation to meet payments due remain valid also in cases of contract malfunction, of defects that make it useless, or in cases in which it is not at the lessee's disposal for reasons not attributable to the originator (so called "net lease").
- The lessees have the option to purchase the asset at the end of the contract.
- Installments are determined by contract and include a part of principal and a part of interest.
- The last installment does not fall beyond June 1, 2031.
- The payment of installments is not suspended by virtue of agreements between the seller and the debtor of according to the Italian Banking Association's (ABI) payment suspension scheme.

Credit And Cash Flow Analysis

Default rates

We based our defaults analysis on the following:

- The historical static default data of the leases originated by Alba Leasing (the originator provided for each quarter of origination from 2010, and each of the four different pools);
- The historical static default data of the total portfolio of leases owned by Alba Leasing, including those originated by Banca Italease (the originator provided for each origination quarter from 2002);
- The performance of previous Banca Italease's transactions; and
- A market comparison.

In accordance with our Italian lease methodology, table 3 shows our gross default assumptions for each pool (see "Criteria Update: Rating Leasing Securitizations In Italy," published on May 3, 2006).

Table 3

Stressed Default Rates (%)				
Rating Level	**Vehicles**	**Equipment**	**Real estate**	**Shipping/Aircrafts/Railways**
A	27.2	30.3	33.3	57.6

We assume defaults occur over a recession period of between 12 and 36 months

Recoveries

The title to the assets remains with the originator, so no credit can be given to recoveries from the sale of the assets.

We received historical recoveries data for amounts defaulted between 2005 and 2011, split among recoveries from client and other recoveries, mainly from the sale of the asset, and based on our analysis of the first set of data.

To our base case recovery assumptions, we applied haircuts at each rating level to derive the stressed recovery rates (see table 4).

Table 4

Stressed Recovery Rates (%)				
Rating Level	**Vehicles**	**Equipment**	**Real estate**	**Shipping/Aircrafts/Railways**
A	28	12	17.5	3.4

We assumed the SPE would receive 50% of the recoveries 18 months and 36 months from default.

Prepayment

For each loan, the borrower's monthly constant installment comprises an interest and principal component. For the unscheduled prepayments, we tested the cash flows under high and low constant payment rate (CPR) scenarios. We applied prepayment stresses from the beginning of the transaction in our cash flow analysis. We tested the cash flows both under a high 8% CPR assumption and a low CPR of 0.5%.

Delinquency rate

We applied delinquency rates equal to two-thirds of defaults applicable to the pools at each rating level in the cash flow model on the outstanding portfolio over a 36-month period, starting at the beginning of the transaction. We assumed full recoveries after a period of six months.

Portfolio yield and yield compression

To account for the possibility of the portfolio experiencing a reduction in yield, linked to the fact that higher-yielding loans may have a higher propensity to prepay, we applied yield compression stresses to the portfolio. We calculated these assuming that half of the loans prepaying would apply to highest-yielding loans.

Reinvestment rate stress

In our cash flow analysis, we also stressed the interest rate earned on the issuer transaction accounts at EURIBOR minus 150 bps at 'A'.

Servicing fee

In our cash flow analysis, we stressed a replacement servicing fee of 89 bps.

Commingling

We have stressed commingling risk in our cash flow analysis assuming a loss equal to one month's collection of interest and principal (including a certain amount of assumed prepayments) in our cash flow model.

Cash flow scenarios

In our analysis, we assess whether the cash flows that the pool of assets generates are sufficient to ensure timely payment of interest and ultimate payment of principal by the legal final maturity date of the liabilities. We therefore stressed this series under the following cash flow scenarios at each rating level:

- Flat EURIBOR, low prepayment level, and evenly distributed defaults;
- Flat EURIBOR, high prepayment level, and evenly distributed defaults;
- Rising EURIBOR, low prepayment level, and evenly distributed defaults;
- Rising EURIBOR, high prepayment level, and evenly distributed defaults;
- Falling EURIBOR, low prepayment level, and evenly distributed defaults; and
- Falling EURIBOR, high prepayment level, and evenly distributed defaults.

Scenario Analysis

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses;
- Results of the effects of the stresses on ratings; and
- Results of the effects of the stresses on our cash flow analysis.

Methodology

When rating European auto and consumer asset-backed security (ABS) transactions, we have developed a scenario analysis and sensitivity-testing model framework. This demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For this asset class, we consider scenario stresses over a one-year horizon to be appropriate, given the relatively short weighted-average life of the assets backing the notes. For these types of securities, there are many factors that could cause the downgrade and default of a rated note, including asset performance and structural features. However, for the purposes of this analysis, we focused on the three fundamental drivers of collateral performance, namely:

- Gross loss rate;
- Recovery rate; and
- Prepayment rate.

Given current economic conditions, the proposed stress scenarios reflect negative events for each of these variables. Increases in gross default rates could arise from a number of factors, including rises in unemployment and company insolvencies, together with falls in house prices and a reduction in the availability of credit. In addition, these effects would most likely cause collateral recovery rates to fall, as the structural imbalance between supply and demand leads to reductions in asset prices. In this environment, we also expect prepayment rates to fall, as fewer refinancing options leave obligors unable to prepay finance agreements, and demand for replacement vehicles falls.

For this analysis, we have included two stress scenarios to demonstrate the transition of a rating on a note (see table 5).

Table 5

Scenario Stresses		
Rating variable	**Scenario 1 (relative stress to base case)**	**Scenario 2 (relative stress to base case)**
Gross loss rate (%)	30	50
Recovery rate (%)	(30)	(50)
Constant prepayment rate (%)	(20)	(33)

We intend our base-case assumptions for each transaction to be best estimates of future performance for the asset pool. Our approach in determining these base cases would take account of historically observed performance, and our estimate of potential changes in these variables during the life of the transaction. The sensitivity of rated notes in each transaction would differ depending on these factors, in addition to structural features of the transaction including its reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage, we stress our expected base-case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assume that the stresses that we applied occur at closing, and apply gross losses based on our expectation of a cumulative default curve for the pool.

The second stage applies our usual rating methodology, including revising our base-case assumptions at the one-year horizon to reflect the assumed deviations as a result of the stressed environment.

In the final stage of the analysis, we re-rate the transaction at the one-year horizon, after revising our base-case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated notes, given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Scenario stress and sensitivity analysis

When applying scenario stresses in the manner described above, we intend the results of this modeling to simulate what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling. Tables 6 and 7 show the implied base-case stresses and scenario stress results.

Table 6

Scenario Stresses

Rating variable (%)	Ratings assumptions	Scenario 1	Scenario 2
'A' Cumulative gross default rate			
Vehicles	27.1	20.6	23.7
Equipment	30.3	22.8	26.4
Real estate	33.1	25.1	29
Shipping/Aircraft/Railways	57.6	53.2	55.4
'A' cumulative loss rate			
Vehicles	72	76.8	83.5
Equipment	79	82.6	87.6
Real estate	82.5	85.5	89.7
Shipping/Aircraft/Railways	55.7	57.8	58.7
Constant prepayment rate during the first 12 months	0.5/8 depending on scenario	1.6	1.3

Table 7

Scenario Stress Analysis: Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A	A	A
Scenario 2	A	A	A

In light of the methodology applied, under this transaction the two alternative scenarios stresses would result in the transaction having to bear a lower amount of defaults, and a lower amount of recoveries. Given this set of alternative stresses we applied under both scenario 1 and scenario 2, the class A notes would most likely retain their 'A' rating. We do not anticipate any interest or principal shortfalls. The stability of the ratings under each scenario is enhanced by a number of features of this transaction, including the sequential repayment mechanism, the excess spread trapping mechanism, and the nonamortizing reserve fund.

Monitoring And Surveillance

As part of our ongoing surveillance of this transaction, we regularly assess:

- The performance of the underlying pool, including defaults, delinquencies, and prepayments;
- The supporting ratings in the transaction; and
- The servicer's operations and its ability to maintain minimum servicing standards.

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com/1544.pdf.

Related Criteria And Research

Related criteria

- Counterparty Risk Framework Methodology And Assumptions, Nov. 29, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- Criteria Update: Rating Leasing Securitizations In Italy, May 3, 2006

Related research

- Rating Assigned To Italian Lease Transaction Alba 5 SPV's Class A Notes, May 16, 2013
- Advance Notice Of Proposed Criteria Change: Ratings Above The Sovereign--Structured Finance, April 12, 2013
- Underwriting The Recovery: Financing The Path Back To Growth In Europe, April 10, 2013
- How Standard & Poor's Applies Its Criteria To Bank Branches In The EU And Eurozone, July 27, 2012
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

- Italian ABS Leasing Index, published periodically

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